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FISCAL IMPACT STATEMENT

LS 6851

BILL NUMBER: HB 1346

NOTE PREPARED: Jan 3, 2006

BILL AMENDED:

SUBJECT: Assessment of undeveloped land.

FIRST AUTHOR: Rep. Borror

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill specifies when a lot or tract held for sale in the ordinary course of trade or business may be reassessed for property tax purposes.

Effective Date: January 1, 2006 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues: The State levies a small tax rate for State Fair and State Forestry. Any delay in the addition of assessed value (AV) to the tax base will delay increases in property tax revenue for these two funds.

Explanation of Local Expenditures:

Explanation of Local Revenues: Under existing law, land that is held by a farmer is assessed as agricultural land, which is assessed at a lower rate (\$880 per acre multiplied by a productivity factor) than the rate at which residential, commercial, or industrial property is assessed. If the land is transferred from agricultural land to a developer and is subdivided into lots, the land may not be assessed until the next change of title. Typically, the title is transferred to a residential, commercial, or industrial user, but it could be transferred to another developer. The law also says that the land would be re-assessed if it is re-zoned. It is possible under current law, that the developer could still own the land when it is re-zoned. Because the law was considered ambiguous, and a court case was brought before the tax court. The tax court determined that the law was ambiguous and that the land should be reassessed when the land is re-zoned regardless of who owned it.

The proposal provides that in the case of land in a developer's inventory (whether it be the initial developer or not), the land should not be reassessed until the developer transfers title, regardless of whether the land has been re-zoned.

The impact of the bill will be to delay the addition of the land's AV as residential, commercial, or industrial land to the tax rolls, which will result in lower overall AV until the land is reassessed from agricultural to residential, commercial, or industrial. The delays would also delay a shift of the property tax burden from the owners of land that is assessed as agricultural to all taxpayers in the form of an increased tax rate.

Total local revenues, except for cumulative funds, would not be affected. The delay in increasing the AV will delay any increase in revenue that cumulative funds would experience because of the increase in AV that would be experienced when the land is reassessed from agricultural land to residential, commercial, or industrial. The delay would equal the product of the fund rate multiplied by the difference in AV resulting from the reassessment.

State Agencies Affected: DLGF, State Forestry, State Fair.

Local Agencies Affected: All.

Information Sources:

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